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From: William T Fujioka
Chief Executive Officer

WASHINGTON, D.C. UPDATE - PURSUIT OF COUNTY POSITION ON NATIONAL FLOOD INSURANCE PROGRAM LEGISLATION

This memorandum contains a pursuit of County position to support legislation which would delay or significantly reduce rate increases to keep flood insurance affordable for residents and businesses in Los Angeles County, and which would require the Federal Emergency Management Agency (FEMA) to conduct a flood insurance affordability study for Congressional review before major flood insurance changes are implemented.

Background

The National Flood Insurance Program (NFIP) was established in 1968 as a floodplain management strategy to help protect individuals and businesses from flood damage losses and to mitigate Federal flood-related disaster relief costs. The program is administered by FEMA, which also is responsible for mapping flood hazards nationwide. Under the NFIP, flood insurance is made available to homeowners, renters, and businesses in participating communities which have agreed to adopt and enforce floodplain management strategies that comply with requirements set by FEMA.

Flood insurance is mandatory for properties with structures inside Special Flood Hazard Areas (SFHAs), as shown on FEMA's Flood Insurance Rate Maps (FIRMs). It also is available on a voluntary basis to properties outside the SFHA. Flood insurance rates are mainly based on property values and risk factors, such as the applicable flood zone and the elevation of the structure in relation to the 100-year flood water level. Structures outside a SFHA qualify for rates that are roughly 60 percent of the rate for structures within a SFHA. Some NFIP policyholders receive insurance at subsidized rates, such as subsidies for structures built before communities joined the NFIP that are intended to encourage communities to participate in the NFIP.

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The Biggert-Waters Flood Insurance Reform Act of 2012 (Public Law 112-141), which was enacted on July 6, 2012, reauthorized the NFIP through September 30, 2017. It also included reforms to strengthen the program's financial solvency after flood damage caused by Hurricanes Katrina, Rita, and Wilma in 2005 forced the program to borrow \$19 billion from the U.S. Treasury to pay claim damages. The Act's reforms included:

- Phasing out premium subsidies on second homes, business properties, and severe repetitive loss properties with rate increases on them capped at 25 percent per year;
- Phasing in actuarial risk-based rates on properties newly mapped into a SHFA with premium rate increases capped at 20 percent per year;
- Phasing out the option for insurance policyholders to have insurance rates based on the FIRM that were in effect in their community when their structures were built; and
- Requiring FEMA to establish an ongoing national flood mapping program to review and update FIRMs, including all areas within floodplains and residual risk areas.

It has become increasingly apparent that these reforms would make flood insurance far less affordable than had been expected when Congress enacted them. Flood insurance rates will especially rise sharply as FEMA updates flood hazard maps showing higher flood risks which, in turn, will result in higher risk-based rates as current subsidies are phased out. Most NFIP policyholders in Los Angeles County are significantly affected by the Act's phase-out of subsidized flood insurance. According to a July 2013 General Accountability Office (GAO) study, subsidized policies account for over 71 percent of all 6,048 NFIP policies in SFHAs in the County.

On January 30, 2014, the Senate passed, 67 to 32, the Homeowner Flood Insurance Affordability Act (S. 1926, Menendez, D-NJ), which would delay the implementation of the Biggert-Waters Act's flood insurance rate increases until after FEMA completes a study of flood insurance affordability and Congress reviews the study. This delay, which is expected to last about four years, seeks to ensure that the effects of flood mapping and risk-based rates on flood insurance affordability have been thoroughly analyzed before changes are implemented. The bill also would require that a property owner's flood mitigation activities be considered in setting rates and authorize NFIP funds to be used to reimburse policyholders who successfully appeal flood map determinations.

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Besides preserving flood insurance subsidies for about four years in the County's existing SFHAs, the County's Department of Public Works (DPW) indicates that the legislation also could postpone mandatory flood insurance for approximately 11,000 property owners behind levees along Compton Creek and Dominguez Channel if these areas were mapped as SFHAs by FEMA.

On February 12, 2014, House Majority Leader Eric Cantor (R-VA) announced that the House will take up a "modified version" of S. 1926 during the last week in February after the House reconvenes its weeklong President's Day recess. According to some media reports, the House Republican leadership supports reducing flood insurance rate increases, but not the Senate bill's delay in implementing rate increases. However, H.R. 3370, which is similar to S. 1926, has 235 co-sponsors, including 58 Republicans.

Pursuit of County Position on Legislation

The County's Federal Agenda includes policies to support reforms of the National Flood Insurance Program which provides affordable flood insurance for residents and businesses in the County and oppose proposals which would significantly increase flood insurance premiums or impose costly new flood insurance requirements on them. **Based on these existing policies, and unless otherwise instructed by the Board, the County's Washington, D.C. advocates will support legislation, such as the Homeowner Flood Insurance Affordability Act (S. 1926), which would delay or significantly reduce flood insurance rate increases to keep flood insurance affordable for residents and businesses in the County, and which would require FEMA to conduct a study of flood insurance affordability for Congressional review before major flood insurance changes are implemented.** Such legislation to keep flood insurance affordable within the County is supported by this office and DPW.

We will continue to keep you advised.

WTF:RA
MR:MT:ma

c: All Department Heads
Legislative Strategist